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Arizona Corporation Commission

**DOCKETED**

JAN 13 2014

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In the Matter of the Application of Southwest  
Gas Corporation for Approval of an Energy  
Efficiency and Renewable Energy Resource  
Technology Portfolio Implementation Plan.

DOCKET NO. G-01551A-13-0170

**COMMENTS AND  
PROPOSED AMENDMENT****COMMENTS AND PROPOSED AMENDMENT OF  
SOUTHWEST GAS CORPORATION**

Southwest Gas Corporation (Southwest Gas or Company) hereby submits written comments in response to the Arizona Corporation Commission's (Commission) Utilities Division Staff's (Staff) Memorandum and Proposed Order regarding Southwest Gas' Application for Approval of an Energy Efficiency and Renewable Energy Resource Technology Portfolio Implementation Plan (Application), filed May 31, 2013. In addition, Southwest Gas offers a proposed amendment to Staff's proposed order, and comments on Pierce Proposed Amendment No. 1.

**I. Comments**

Southwest Gas seeks approval of its Years Three and Four Energy Efficiency and Renewable Energy Resource Technology Portfolio Implementation Plan (EE & RET Plan, or Plan). As detailed in the Application, the Plan consists of seven programs with the annual budgets for Plan Years Three and Four totaling \$7.5 million and \$6 million respectively. The Plan is consistent with the Gas Utility Energy Efficiency Standards (Standards) set forth in Sections R14-2-2501 through R14-2-2520 of the Arizona Administrative Code (A.A.C.), and will benefit Southwest Gas' residential, non-residential and low-income customers.

1 In its Memorandum and Proposed Order, Staff recommends various changes  
2 to and disapprovals of the requests included in Southwest Gas' Application. Further,  
3 Pierce Amendment No. 1 recommends disapproval of the Company's requested  
4 budget amounts, as well as the elimination of certain programs. For the reasons set  
5 forth herein, Southwest Gas takes exception to both Staff's recommendations and  
6 Pierce Amendment No. 1.

7 **II. Staff's Memorandum and Proposed Order**

8 **A. Cost-Effectiveness and Budget Amounts**

9 Staff's Memorandum and Proposed Order explains that, "[d]ue to the  
10 Commission's desire to preserve the status quo, Staff has not done a benefit-cost  
11 analysis for the new measures proposed by the Company."<sup>1</sup> The Memorandum and  
12 Proposed order then goes on to recommend the denial of certain new measures  
13 offered by the Company for its Years Three and Four EE & RET Plan. However, the  
14 Memorandum and Proposed Order overlooks the fact that as part of the evidentiary  
15 showing in its Application, Southwest Gas calculated cost-effectiveness for each of  
16 the new measures proposed; and all were determined to be cost-effective. For  
17 example, Staff recommends that the Company's proposal to add boiler reset controls,  
18 infrared charbroilers and pre-rinse spray valves' to the SGB Commercial Rebates  
19 program, all of which passed cost-effectiveness under the only analysis performed in  
20 this docket.<sup>2</sup>

21 In addition, Southwest Gas' budgets for Years Three and Four were designed  
22 to achieve the goals set forth in the Standards, based upon the Company's proposed  
23 portfolio of programs and measures. To the extent that cost-effective measures are  
24 denied and budget amounts are reduced, the Company's ability to achieve the energy  
25 savings goals articulated by the Standards is potentially impacted. Accordingly, the

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27 <sup>1</sup> Memorandum and Proposed Order, at pg. 3.

28 <sup>2</sup> Southwest Gas calculated cost-effectiveness ratios of 6.03 (Year 3) and 6.48 (Year 4) for  
boiler reset controls; 1.76 (Year 3) and 1.86 (Year 4) for infrared charbroilers; and 2.70 (Year  
3) and 3.04 (Year 4) for pre-rinse spray valves. See, EE & RET Plan, at pg. 36-37.

1 cost-effectiveness information presented by the Company should be considered, and  
2 all cost-effective measures should be approved.<sup>3</sup>

3 **B. Direct Install Measures**

4 Southwest Gas' Application seeks to modify its SGB Residential Rebates  
5 program by transferring the direct install measures originally proposed as part of its  
6 SGB Residential Energy Assessment pilot and its proposed Energy Education  
7 program into the SGB Residential Rebates program. Staff recommends denying this  
8 request; however, the wording in Staff's proposed order seems to suggest that Staff is  
9 also recommending the elimination of weatherization programs that are currently  
10 approved as part of the Company's SGB Residential Rebates program,<sup>4</sup> and which  
11 remain cost-effective. Based on its discussions with Staff, Southwest Gas  
12 understands that Staff did not intend to imply that existing weatherization measures  
13 should be eliminated. The Company therefore proposes amending the language in  
14 the proposed order (as detailed below) to reflect this understanding.

15 **C. Low Income Energy Conservation**

16 Staff's Memorandum and Proposed Order recommends denial of the  
17 Company's proposal to increase the administrative dollars associated with the Bill  
18 Assistance component of its Low-Income Energy conservation (LIEC) program. As  
19 discussed in the Application, the Bill Assistance program is administered by  
20 Southwest Gas in conjunction with ACAA who, in turn, partners with ten community-  
21 based agencies to distribute bill assistance funds. As the number of clients that  
22 agency case workers are seeing continues to increase, the original administrative  
23 funding utilized by the agencies to distribute the Company's bill assistance funds has  
24 decreased.<sup>5</sup> Southwest Gas' proposal is intended to offer the agencies administrative

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26 <sup>3</sup> The Company's cost-effectiveness analysis appears to have been relied upon in those  
27 sections of the Memorandum and Proposed Order where Staff agrees with the Company's  
28 proposal to *eliminate* certain measures.

<sup>4</sup> D.73231.

<sup>5</sup> Administrative funds are currently derived from various sources including local and private dollars.

1 assistance such that they can effectively distribute bill assistance dollars to customers  
2 throughout Southwest Gas' Arizona service territories.

3 According to ACAA, Southwest Gas' Bill Assistance program is currently the  
4 only major utility program that does not provide administrative support to the agencies  
5 serving its customers. Moreover, the Company's proposal, which is supported by  
6 ACAA, re-allocates the currently-approved budget for the Bill Assistance component,  
7 but does not seek to increase the budget amount. Southwest Gas believes that its  
8 proposal to allocate additional dollars to the administrative portion of the Bill  
9 Assistance budget is reasonable and in the public interest, and should be approved.

10 **III. Proposed Amendment**

11 In addition to the foregoing comments, Southwest Gas offers the following  
12 proposed amendment to Staff's Proposed Order:

13 **Page 13, line 15:**

14 IT IS FURTHER ORDERED that the budget for Year 3 **be set at \$7.5 million**  
15 and the budget for Year 4 ~~both~~ be set at \$6 million.

16 **Page 13, line 22:**

17 IT IS FURTHER ORDERED that direct install measures ~~and weatherization~~  
18 ~~measures~~ not be approved for the SGB Residential Rebates program at this  
19 time.

20 **Page 14, line 5:**

21 IT IS FURTHER ORDERED that Southwest Gas Corporation ~~not~~ add boiler  
22 reset controls, infrared broilers, ~~or~~ **and** pre-rinse spray valves in the SGB  
23 Commercial Rebates program.

24 **Page 15, line 1:**

25 IT IS FURTHER ORDERED that ~~there be no increase in the Company's~~  
26 **proposal to increase** administrative dollars for the Bill Assistance component  
27 under the SGB Low-Income Energy Conservation program **is approved**.  
28

1 **III. Pierce Proposed Amendment No. 1**

2 Pierce Proposed Amendment No. 1 recommends that the budgets for the  
3 Years Three and Four EE & RET Plan remain at the currently-authorized level of \$4.7  
4 million. In addition, the proposed amendment seeks to discontinue and eliminate the  
5 Company's Residential and Commercial Rebates programs.

6 Just as Southwest Gas sees no reason for denying new, cost-effective  
7 measures, it also sees no reason for discontinuing or eliminating existing cost-  
8 effective measures. The Company has demonstrated the overall cost-effectiveness of  
9 both its SGB Residential Rebates program and its SGB Commercial Rebates  
10 program.<sup>6</sup> It has also demonstrated that its proposed budgets for Years Three and  
11 Four are consistent with the Standards and necessary in order for the Company to  
12 continue offering cost-effective programs and measures without interruption.  
13 Moreover, the proposed elimination of the Residential and Commercial Rebates  
14 programs is likely to create significant customer confusion, and stands to place  
15 Southwest Gas at a competitive disadvantage as other Arizona utilities continue to  
16 offer residential and commercial rebates to their customers.

17 If the Commission approves the proposed amendment, Southwest Gas  
18 requests clarification that such approval constitutes a waiver under the Standards.

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<sup>6</sup> Application, at pg. 25, 38.

1 **IV. Conclusion**

2 Based upon the foregoing, Southwest Gas respectfully requests that Staff's  
3 proposed order be approved as modified by the Company's proposed amendment.

4 Dated this 13<sup>th</sup> day of January, 2014.

5 Respectfully submitted,

6 SOUTHWEST GAS CORPORATION

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